



Rise Policy Paper

Policy ID	EQ009
Policy	Automatic Tax Credits

Rise will introduce an automatic tax credit (ATC) of £1,000 per month for every British citizen. The following criteria apply:

- It will be paid to the recipient's bank account.
- Where a recipient does not have a bank account Rise will create a bank account within our new National Bank and issue a debit card to the holder.
- If there is a delay in setting up the bank account the back payments will be calculated and added once the account is in place.
- The recipient will have the option of been given a pre-loaded card until the bank account is set up
- Every British citizen 16 or over receives ATCs except prison inmates.
- ATCs will replace pensions.
- ATCs will replace welfare payments except housing allowance which will be paid on a completely separate basis through the DWP.
- Disability payments will continue as now and will be paid through DWP
- The ATC will be calculated in an individual's salary and taxed accordingly.
- ATCs will be introduced almost immediately on the election of Rise. HMRC will pay individuals the full amount. Companies will show it as a benefit in kind that will be taxed. Where payroll systems cannot meet the requirement of showing ATCs as income, but not actually pay the employee, then HMRC will support the issues by offering other solutions.
- ATC will not be paid to prison inmates. However Rise will improve rehabilitation services so that those leaving prison can take full advantage of ATC to get back on their feet.

Because the introduction of ATC we will increase the tax-free allowance slightly to £16,000 per year. This will ensure an individual can earn up to £4,000 before they will begin paying tax. Once an individual exceeds the allowance, they will pay tax in the same as now, paying on the amount above the allowance only.

For example:

- Somebody with zero income will receive £1,000 per month and pay no tax.
- Somebody with £6000 earnings per year will receive £18,000 with inclusion of ATC. They will be taxed on £2000 of their earnings, which will amount to £68 per month. The individual will still be earning £11,820+ per year more than they would now and not have the issue of trying to balance it off against the impossible rules built into universal credit.



With ATC, even though the tax rate will be increased, we are not looking to increase tax revenues. When an individual is paid more than £81,000 their PAYE will be very slightly higher (by £8), but their take home pay will be higher because Rise will scrap National Insurance. This follows the Rise principles that we on the one hand reject regressive taxes, but we also carefully balance the tax burden to ensure we are not unnecessarily increasing the burden on some. Below shows two examples of nett income before and after Rise.

Examples of Rise take home pay tax changes				
Pre Rise	Salary Per Year	0	26,000	81,000
	PAYE Tax (20%, 40%, 45%)	0	2,686	19,572
	National Insurance	0	1,972	5,499
	Nett Salary	0	21,342	55,929
Rise	Automatic Tax Credit	12,000	12,000	12,000
	Total Income	12,000	38,000	93,000
	PAYE Tax (41%)	0	9,020	31,570
	National Insurance	0	0	0
	Nett Income	12,000	28,980	61,430
	Increase in Income	12,000	7,638	5,501
The above assumes no additional allowances, such as blind person's allowance or additional stoppages such as car allowance. Personal allowance has been increased to 16,000 per year by Rise.				

The following table shows the different tax rates across a number of salaries. The full table can be found under “additional documents”.



EQ009 - Automatic Tax Credit

Notes:

- While tax has increased to 41%, NI is abolished.
- With the addition of automatic the tax credit and the abolition of NI, nobody is worse off with this new model.

Tax Rate:	41%
Allowance	16,000

Rise PAYE system with automatic tax credits					
Gross Annual Income	Tax Credit per month	Tax Credit per Year	Annual Income incl TC	Annual Tax Amount	Nett Annual Income
0	1000	12000	12000	0	12000
2000	1000	12000	14000	0	14000
4000	1000	12000	16000	0	16000
6000	1000	12000	18000	820	17180
8000	1000	12000	20000	1640	18360
10000	1000	12000	22000	2460	19540
12000	1000	12000	24000	3280	20720
14000	1000	12000	26000	4100	21900
15,000	1000	12000	27000	4510	22490
16,000	1000	12000	28000	4920	23080
18,000	1000	12000	30000	5740	24260
20,000	1000	12000	32000	6560	25440
22,000	1000	12000	34000	7380	26620
24,000	1000	12000	36000	8200	27800
26,000	1000	12000	38000	9020	28980
28,000	1000	12000	40000	9840	30160
30,000	1000	12000	42000	10660	31340
32,000	1000	12000	44000	11480	32520
34,000	1000	12000	46000	12300	33700
36,000	1000	12000	48000	13120	34880
38,000	1000	12000	50000	13940	36060
40,000	1000	12000	52000	14760	37240

PAYE as at 2021/22				Income Increase / Decrease
Yearly Allowance	Tax Percentage	Annual Tax Amount	Nett Annual Income	
12,570	20%	0	0	12,000
12,570	20%	0	2,000	12,000
12,570	20%	0	4,000	12,000
12,570	20%	0	6,000	11,180
12,570	20%	0	8,000	10,360
12,570	20%	0	10,000	9,540
12,570	20%	0	12,000	8,720
12,570	20%	286	13,714	8,186
12,570	20%	486	14,514	7,976
12,570	20%	686	15,314	7,766
12,570	20%	1086	16,914	7,346
12,570	20%	1486	18,514	6,926
12,570	20%	1886	20,114	6,506
12,570	20%	2286	21,714	6,086
12,570	20%	2686	23,314	5,666
12,570	20%	3086	24,914	5,246
12,570	20%	3486	26,514	4,826
12,570	20%	3886	28,114	4,406
12,570	20%	4286	29,714	3,986
12,570	20%	4686	31,314	3,566
12,570	20%	5086	32,914	3,146
12,570	20%	5486	34,514	2,726

NOTE: All amounts are at 2021 figures. If needed we will adjust amounts positively based on the situation once elected.